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Texas Gulf Sulphur Company

Annual Report 1964

SULPHUR

METALS

POTASH

PHOSPHATE

Directors

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Director and Consultant to
Johns-Manville Corporation
New York, New York

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Partner,
Baker, Botts, Shepherd & Coates,
Houston, Texas

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New York, New York

JOHN A. HILL
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Air Reduction Co., Inc.,
New York, New York

WILLIAM S. KIRKPATRICK
Chairman and President,
Consolidated Mining and Smelting Co.
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Morgan Guaranty Trust Company of
New York

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Chairman of Finance Committee,
General Reinsurance Corporation
New York, New York

ALLAN SHIVERS
Investments,
Austin, Texas

CLAUDE O. STEPHENS
President,
New York, New York

JOHN F. THOMPSON
International Nickel Co. of Canada, Ltd.,
New York, New York

LOWELL C. WADMOND
Partner,
White & Case,
New York, New York

Annual Meeting

The Annual Meeting of Stockholders will be held at the Company's office in Houston, Texas on Thursday, April 22, 1965. Notice of Meeting, Proxy Statement and Proxy will be sent to all Stockholders on or about March 22, 1965.

Annual Report 1964 Texas Gulf Sulphur Company

APR - 9 1965

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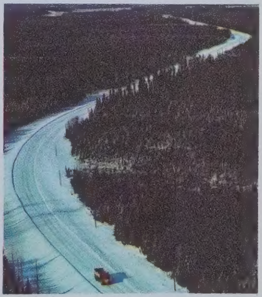
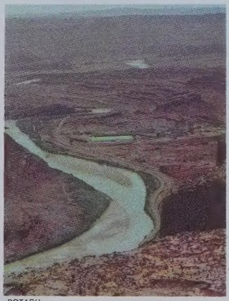
SULPHUR



METALS



POTASH

PHOSPHATE

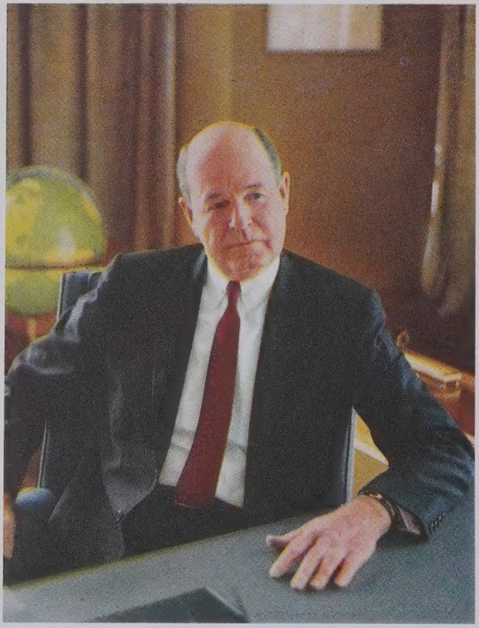
About the Cover

The cover pictures show four of the major areas of Texas Gulf's operations, reflecting the company's rapidly growing diversification in related fields.

Sulphur | Shipping terminal at Beaumont, Texas
Potash | Cane Creek Mine at Moab, Utah
Phosphate | Dredge prepares for dry open pit mine at Lee Creek, North Carolina
Metals | New access road to Kidd Creek mine site, Ontario, Canada

Comparative Financial Highlights

	1964	1963
Gross revenue from sales	$ 70,369,732	$ 62,248,521
Earnings	$ 11,556,189	$ 9,353,652
Earnings per share	$ 1.15	$ 0.93
Cash dividends	$ 4,005,210	$ 4,006,240
Cash dividends per share	$ 0.40	$ 0.40
Working capital	$ 87,110,914	$ 46,974,507
Ratio of current assets to current liabilities	9.9 to 1	3.6 to 1
Property, plant and equipment (net)	$ 86,384,018	$ 72,731,910
Total assets	$220,438,910	$187,283,353
Notes payable	$ 55,000,000	—
Stockholders' equity	$137,381,561	$129,715,432
Number of stockholders	50,821	64,918
Number of shares outstanding Dec. 31	10,015,899	10,011,199



Claude O. Stephens, President

To Our Stockholders:

1964 was an unusually eventful year for your company. Public interest naturally tended to focus on the spectacular success of our exploration team in Ontario, Canada. Important as this zinc-copper-silver-sulphide ore body is, however, it should not overshadow significant events of the year in other areas of our planned program of diversification and expansion.

Looking ahead, the most important comment on 1964's achievements is that all of these events—including the Canadian ore body discovery—are related and complementary.

The major natural resources being developed by TGS involve related technologies and experience in exploration, mining, processing, transportation, and marketing. The map facing this page portrays some of these important interrelationships, with particular emphasis on opportunities for economies in transportation.

Texas Gulf's business is not only the production of minerals, but selling and delivering them to the customer. Transportation plays a major role in bringing related materials together at the processing stage, as well as in delivering them to the market.

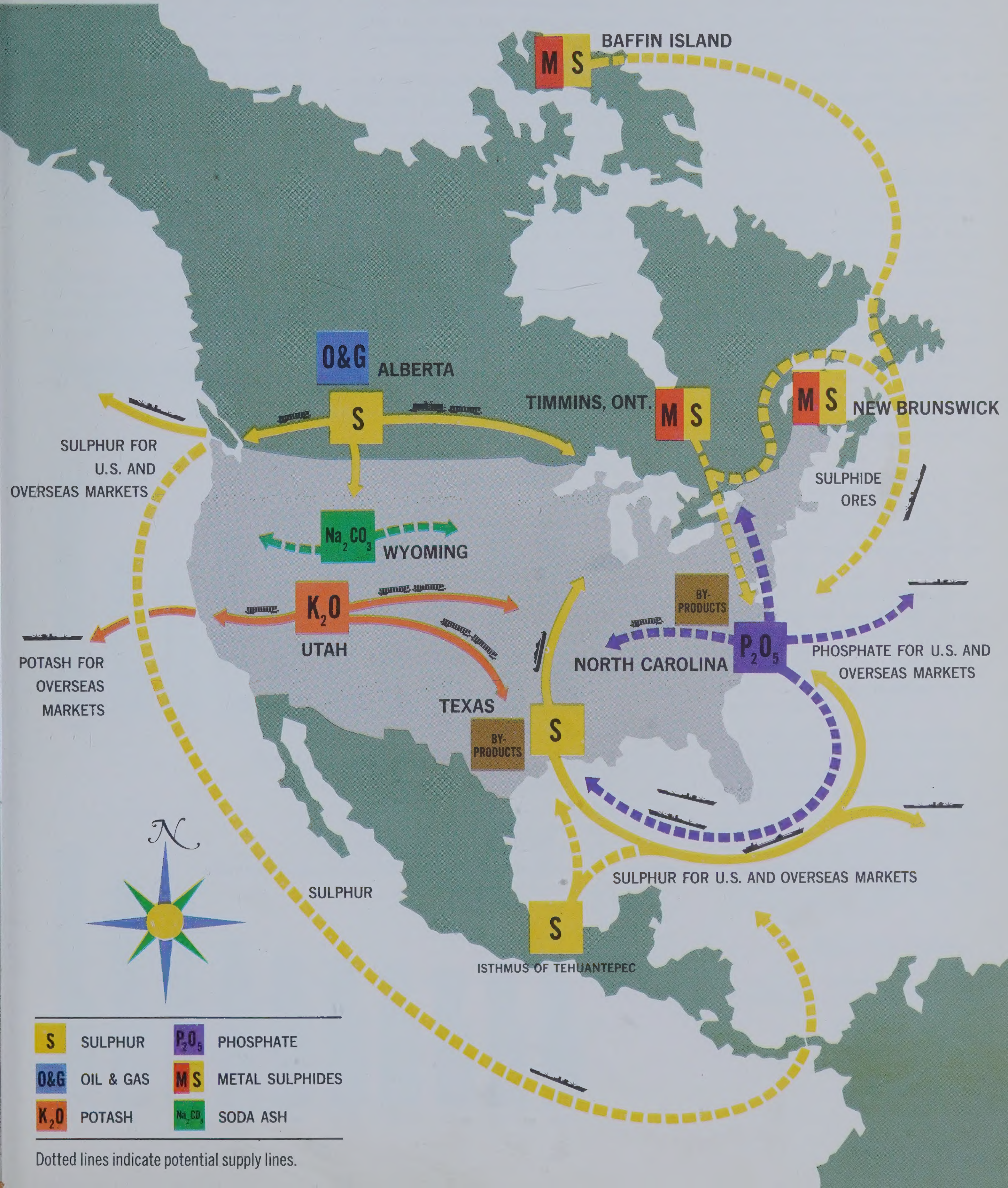
Because TGS is a company with major resources in three essential ingredients of the fertilizer industry—sulphur, potash, and phosphate—it has a unique opportunity to effect economies in production and transportation. Phosphate rock, for example, is of little value to agriculture until it has been processed. Acidulation with sulphuric acid is by far the preferred method. And in the refining of base metals, sulphur is often lost to the atmosphere. TGS plans to utilize the substantial sulphur values from its Canadian mining operation and to integrate this with its phosphate operations.

Our 1964 annual report is designed to give the stockholder a detailed picture of developments in sulphur, potash, phosphate, metals, and exploration. While treated in separate sections in the pages which follow, the related nature of these operations should be kept in mind. In the company's organization, the functions of selling, transportation, and market research are centralized under a marketing vice president.

Sulphur itself entered into a new era of growth in 1964. Free World consumption of sulphur reached a record total of 21.8 million long tons. This represented a 10.6 per cent increase over 1963, the largest since 1950, and 1964 consumption exceeded Free World production by nearly a million tons. The price weakness of recent years was reversed. A much needed increase of $2 a ton, restoring domestic sulphur prices to the approximate level of 1957 was announced in the spring. Since most sulphur is sold under long term contracts, the first benefits will be realized in 1965.

Sulphur accounted for almost all of the significant increase in gross revenue from sales shown in the accompanying comparison of financial highlights with 1963. This improvement in revenue resulted from increased ton-

Resources and present and potential supply lines



Dotted lines indicate potential supply lines.

nage sales in both domestic and export markets and from a general firming of prices.

Sulphur operating and delivery efficiencies resulted in lower costs per ton of sulphur sold. The overall increase in sulphur profits was the prime reason for the 23 per cent improvement in earnings.

Cane Creek Potash mine in operation

The first of our major diversification projects—our Cane Creek potash mine near Moab, Utah—is in production and will contribute to profits in 1965. Cash flow from our Phosphate and Metals Divisions will be added in 1966.

Cane Creek's initial production rate of 600,000 short tons of muriate of potash annually will be increased.

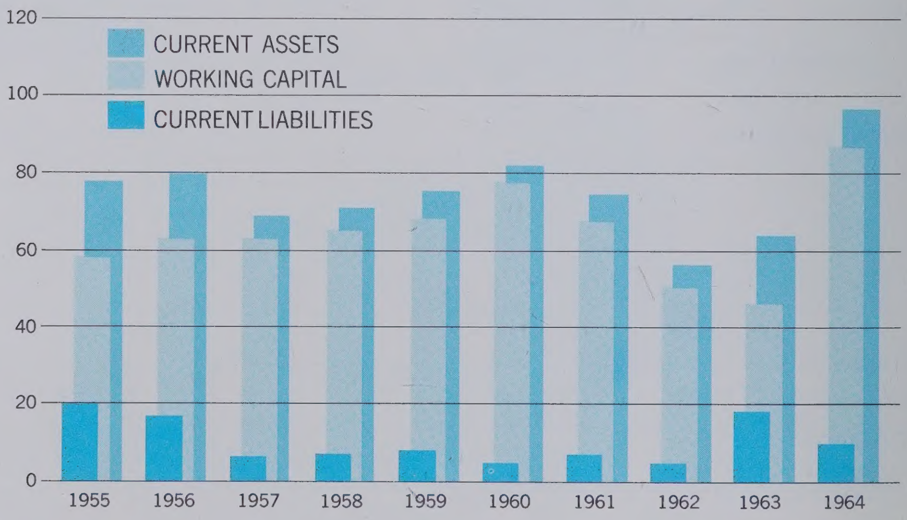
Mining and milling facilities at our Lee Creek mine in North Carolina are being designed for a production rate of 3,000,000 tons of phosphate rock annually.

Development of our Kidd Creek mine near Timmins, Ontario, began immediately following the completion of an all-weather road to the site in November. Overburden is being removed in preparation for an open pit mining operation. In the first phase, a concentrator will be constructed to process ore at the site. It is being designed so that its initial production capacity of 2,000,000 tons of ore annually can be readily expanded to 3,000,000 tons. During this phase, metal concentrates will be refined by custom smelters. A second phase, which is under study, would include construction of our own roasting and smelting facilities, requiring further major investment.

There are two suits pending against TGS questioning our ownership of the ore body. These suits are without merit, and it is our conviction that the cases

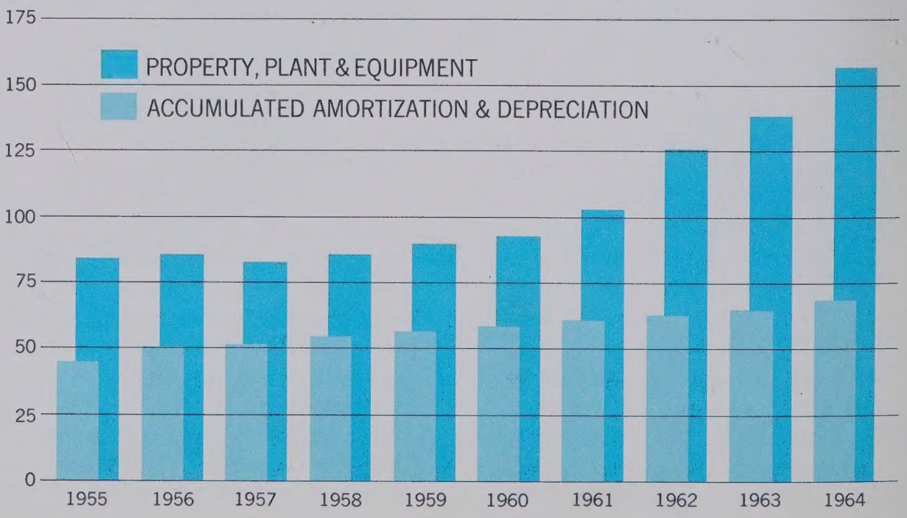
CURRENT ASSETS • LIABILITIES • WORKING CAPITAL

(in millions of dollars)



PROPERTY • PLANT & EQUIPMENT

(in millions of dollars)



will be resolved in favor of your company.

A major addition to our sulphur recovery plant near Whitecourt, Alberta, Canada, was completed, increasing production capacity from 725 to 1225 long tons per day. During the year, TGS acquired rights in 230,000 additional net acres in western Canada, which include both oil and gas producing properties and wildcat acreage.

Exploration and development work continued in 1964 on oil and gas properties in the United States and Canada and on trona deposits in Wyoming.

Exploration leads to new sulphur operation

Several sulphur exploration wells were drilled with good results at Gulf in Matagorda County, Texas—the site of the company's original operations—and a new Frasch mining facility will be constructed there in 1965.

Capital expenditures will continue to increase

Capital expenditures for these and other projects have been substantial, amounting to about $30,000,000 in 1964, and will increase in 1965. But they are part of our planned long-range program for expansion and diversification and are well within the capabilities of your company's strong financial position.

As part of this planned program, $55,000,000 in external funds was obtained during 1964 by private placement of 25-year notes. This long-term debt was incurred on terms which insure continued flexibility to undertake present projects and any additional ones which offer an opportunity to increase earnings. Substantial interest expense incurred for the first time by the company was offset in part in 1964 by the increase of income from securities.

Cash flow from operations increased in 1964 and should improve at an accelerated rate in 1965 and future years. Cash flow, plus our short-term marketable securities, should be sufficient to cover the increased capital expenditures scheduled for 1965.

Both the immediate and long-term outlook indicate continuing strong demand worldwide for the materials Texas Gulf is in a favorable position to supply.

The fertilizer-phosphate industry uses 35 per cent of total Free World sulphur consumption, 60 per cent of phosphate rock consumption, and 95 per cent of potash consumption. As a supplier of three essential materials in the production of fertilizer, Texas Gulf will be in a position to make a unique contribution to the future of an industry which is expanding rapidly to serve the needs of the world's growing population.

Similarly, sulphur and the base metals are expected to be in strong demand to support the projected needs of a wide range of other growth industries, including chemicals, paper, electrical and electronics, automotive, communications, defense and space.

Because of the company's success in attracting and retaining outstanding personnel at all levels of the organization, we have been able to staff our new operations with capable and experienced management people both from within and outside our organization.

Richard D. Mollison, formerly Vice President, Exploration, became Vice President, Metals Division. Dr. Walter Holyk, formerly Chief Geologist and Assistant Manager, became Manager of Exploration.

Gordon N. McKee Jr., formerly Assistant Treasurer was elected Corporate Treasurer, succeeding Thomas P. Townsend. Mr. Townsend continues as a Vice President and will devote his efforts to our many interests in the international field.

On behalf of the Board of Directors, I would like to express appreciation to our stockholders for their support of the company's investment in the future, and to all employees whose work is so vital to the company's success whether in the efficient execution of day-to-day tasks or in the more exciting circumstances of exploration, discovery and development.

Respectfully submitted,

Claude O. Stephens
President

February 18, 1965

SULPHUR

1964 Sulphur consumption set new records

World demand continues strong

Downward price trend reversed, outlook improving

◀ TGS's Beaumont Terminal, Texas, is the hub of the world's greatest sulphur distribution complex. At docks are a dry cargo vessel and two new oceangoing tankers which went into service in 1964. Highly mechanized loading facilities speed shipments of both solid and liquid sulphur in ocean vessels, river barges, and railroad cars.

Both Free World and United States consumption of sulphur established new records in 1964. Free World consumption rose 10.6 per cent to a total of 21.8 million long tons, and United States consumption rose 11.2 per cent to a total of 7.6 million tons.

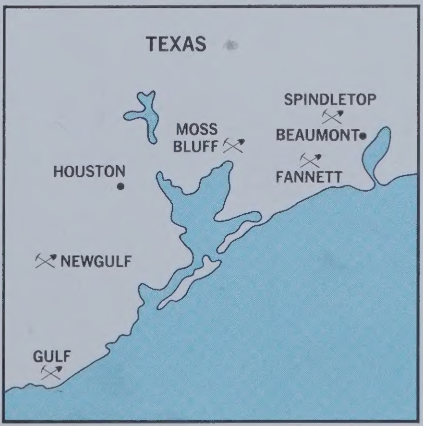
The downward trend in world sulphur prices was reversed for the first time since 1956. Texas Gulf Sulphur announced an increase of $2 per ton in domestic prices April 1. Since most sulphur sales are under long term contract, the effect of this increase on earnings will be reflected in 1965. During 1964, export prices were firmer.

A combination of factors has reversed the unfavorable balance between production and consumption in the world sulphur picture of recent years. Free World consumption of sulphur has increased dramatically in the last two years. It is now expected that the rate of growth for the years 1964 through 1970 will be substantially greater than the historical trend.

Fundamental changes occurring around the world account for the rapid rise in the consumption of sulphur. On both sides of the Iron Curtain, in the highly developed and underdeveloped nations alike, countries are turning to higher fertilizer output to meet the demands for better nutrition standards and to feed their growing populations.

Many Free World countries are establishing domestic fertilizer industries. Fertilizer consumption in undeveloped countries is being encouraged by internationally sponsored programs. Finally, Iron Curtain countries, especially the U.S.S.R. and Communist China, have greatly stepped up programs for fertilizers, creating vast new demands for sulphur, potash and phosphate.

Another factor is a growing trend in the use of high-analysis fertilizer materials. Sulphuric acid and phosphate rock are reacted to produce phosphatic fertilizers such as normal superphosphate, phosphoric acid, and triple superphosphate.



The strong rate of growth of the U.S. economy is also stimulating increased demand for sulphur by other industries. The chemical industry accounts for about 30 per cent of sulphur consumption; other large users include the paper, paint, iron and steel, rayon and film, and petroleum industries.

The ability to serve customers was further improved in 1964 through better production, shipping, and handling facilities. Texas Gulf Sulphur pioneered the delivery of sulphur in liquid form in 1959, and today most of the company's sulphur is delivered in liquid form by ships, barges, railroad tank cars and trucks. During the year, the company increased to 12 its network of regional terminals where sulphur is stored in tanks for ready service to customers.

Texas Gulf's S.S. Marine Texan went into service early in 1964. With a carrying capacity of 23,760 tons, it became the largest liquid sulphur tanker serving U.S. ports and during the year made deliveries totaling 550,265 tons.

Liquid sulphur service is now being extended to overseas markets through a joint venture. A terminal has been established in Rotterdam, Netherlands; and one is under construction in Dublin, Ireland. In June, the M.S. Naess Texas, with a carrying capacity of 25,000 tons, began overseas shipments of liquid sulphur, and a similar-sized sister ship, the M.S. Naess Louisiana, went into operation in November.

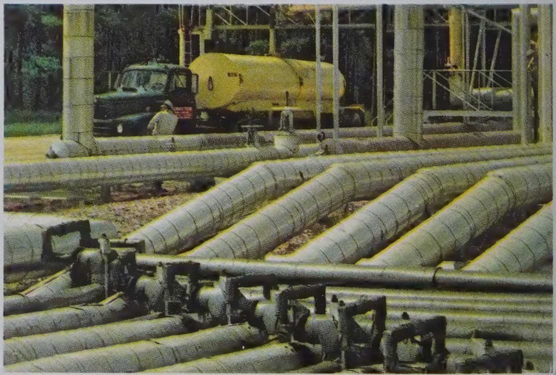
During 1964 TGS' sulphur production totaled in excess of 2.4 million long tons, an increase of three per cent over the previous year.

While Frasch processed sulphur from its deposits in Texas, Louisiana and Mexico has and will continue to be Texas Gulf's major source of production, the company has steadily increased its facilities for the recovery of sulphur from sour natural gases.

The Gas Division operates sulphur recovery plants at Worland, Wyoming, and at Okotoks and Whitecourt in Alberta, Canada. Production of the Canadian plants increased from 316,000 long tons to 327,000 tons in 1964. A two million dollar addition to the Whitecourt plant was completed in 1964, increasing capacity from 725 to 1225 tons of sulphur per day.

Above Major addition to sulphur recovery plant near Whitecourt, Alberta, Canada, was completed in 1964 by the Gas Division. Production will increase from 725 to 1225 tons per day.

Right Most elemental sulphur is now shipped in liquid form, a method pioneered by Texas Gulf. Flexible service to customers is provided by railroad, tank trucks, deep-sea vessels, river barges, and a network of regional terminals.



Right S.S. Marine Texan entered service in 1964 and became largest liquid sulphur vessel serving U.S. ports, with carrying capacity of 23,760 long tons.

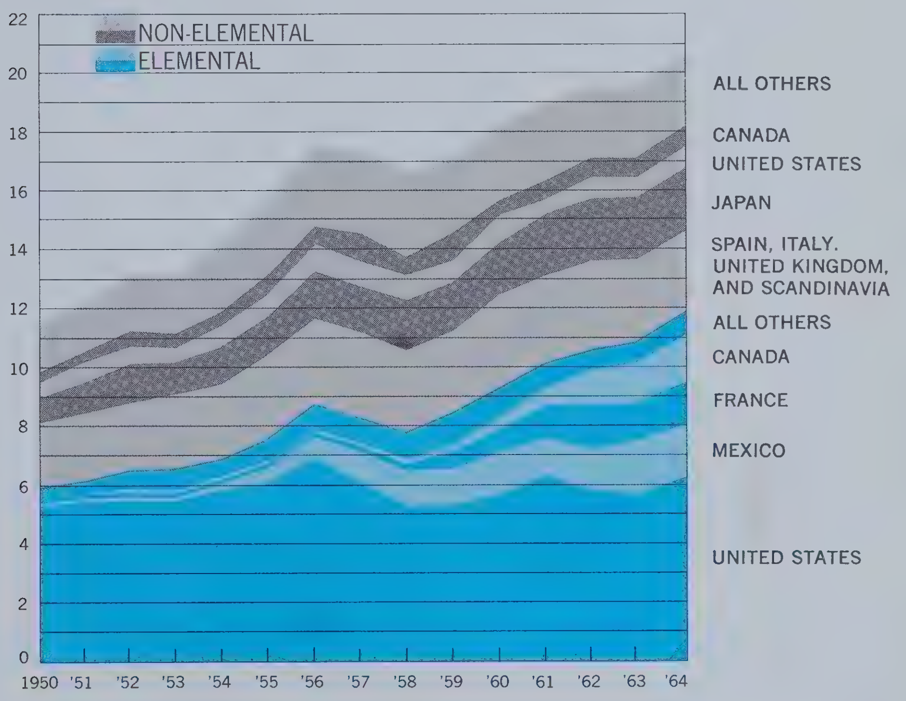
Far Right Barge delivering liquid sulphur to New Jersey terminal. New Nashville terminal in 1964 increased the network of Texas Gulf's regional terminals to 12.

World production outlook

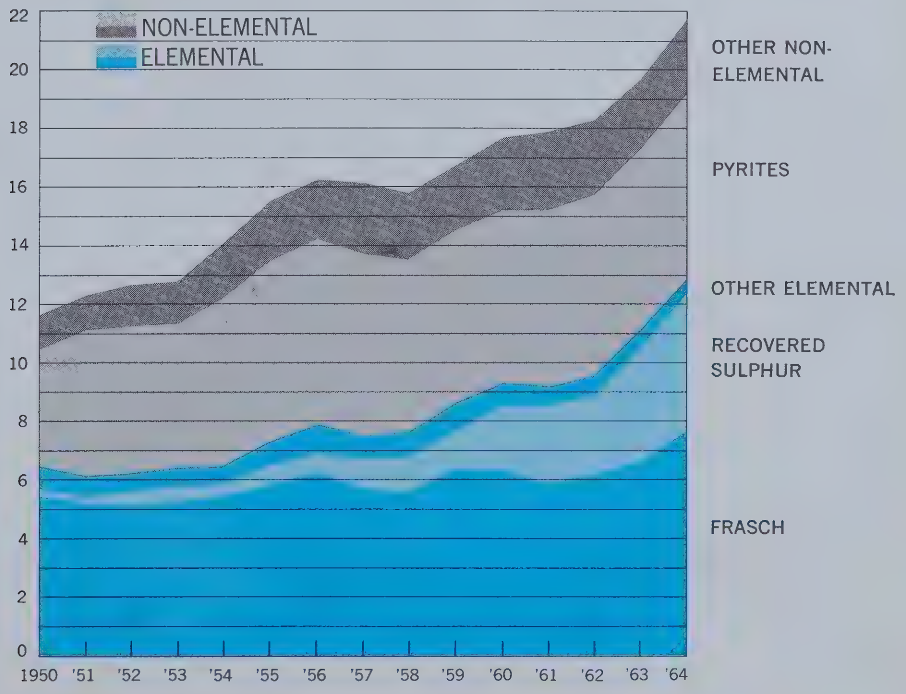
Free World consumption of sulphur is expected to rise to more than 29 million tons by 1970. In contrast to the recent years of oversupply, this growth will place heavy demands on present sources of production. These fall into three main categories: sulphur mined by the Frasch process in Texas, Louisiana, and Mexico; sulphur recovered from sour natural gas in France, Canada, and the United States; and non-elemental sulphur (chemically combined with other materials).

Research continues to seek new and more effective uses of sulphur in a variety of fields. Many research projects in universities and laboratories around the world are supported by the Sulphur Institute.

FREE WORLD SULPHUR TRENDS • PRODUCTION
(millions of long tons)



FREE WORLD SULPHUR TRENDS • CONSUMPTION
(millions of long tons)



POTASH

Potash Mine in Utah begins operations

Texas Gulf Sulphur's Cane Creek potash mine near Moab in southeastern Utah began operations in the latter part of 1964. Its high quality ore will be a much needed addition in 1965 to the North American production of potash. For, despite the development of substantial new sources of supply, free world consumption of potash presently exceeds production.

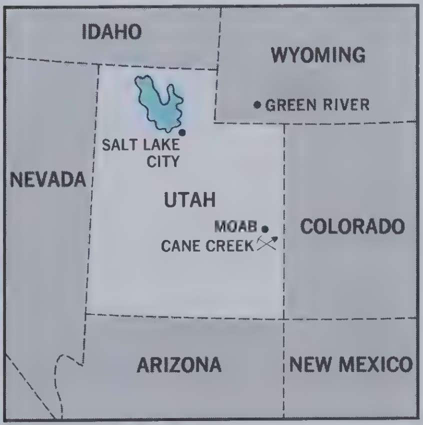
Potash demand grew 12.5 per cent in year

During 1964, consumption of potash in the United States increased 12.5 per cent, and world consumption increased 6 per cent. Nearly 95 per cent of the potash produced in the United States goes into fertilizers.

The marketing of potash is a natural complement to Texas Gulf's sales of sulphur, 40 per cent of which is used in the fertilizer industry. Regional sales headquarters for potash and phosphate are located in New York, Chicago, Richmond, Atlanta, and Houston.

Initial production rate of 600,000 tons annually

Texas Gulf's Cane Creek mine will have an initial production capacity of 600,000 short tons of muriate of potash per year. The entire operation has been designed for future growth and production will be expanded to more than one million tons.



The Cane Creek mine is one of the largest and most important sources of potash in the United States. It has a geographically competitive location, modern and highly efficient production facilities, and substantial ore reserves of high quality.

United States potash production has heretofore centered around the Carlsbad area in southeastern New Mexico, which accounted for more than 90 per cent of domestic output in 1964. The value of muriate of potash is expressed in terms of the potassium oxide (K_2O) content of the ore. Texas Gulf deposits in Utah average more than 25 per cent K_2O content compared to an average content of other domestic ores of less than 20 per cent.

Texas Gulf's potash mine is in the scenically spectacular canyonlands along the Colorado River in southeastern Utah. At Cane Creek and in the nearby Seven Mile area, the company has long term Federal and State leases on over 38,000 acres of potash land.

Present facilities have been designed to mine and process potash of the various grades required to meet the individual specifications of customers, and the large storage facilities are adequate to supply the seasonal demands of the fertilizer industry.

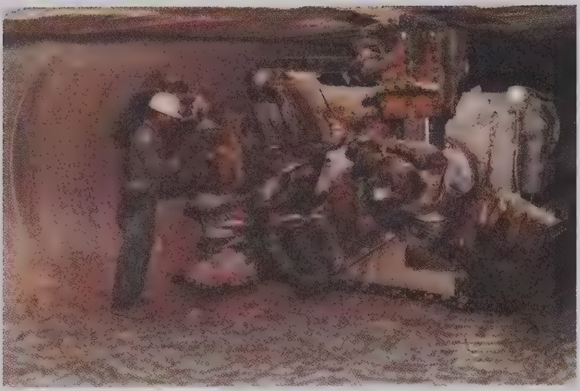
A highly mechanized production circuit provides for a continuous flow from the face of the ore body through the processing and storage facilities to the automated rail loading stations.

The mine shaft is one of the largest for its depth — 2,789 feet — in North America and has a production capacity of more than 10,000 tons a day. A reinforced concrete wall divides the 22-foot width of the shaft into two equal compartments, in effect providing two separate shafts. One of these is equipped with a service hoist which can carry 80 men. The other shaft compartment has a production hoist with two balanced 20-ton skips which travel 2,160 feet per minute. Hoisting operations are monitored by closed circuit television. Ventilation capacity of the shaft is such that 300,000 cubic feet of fresh air per minute can be provided to the mine.

Both conventional and continuous mining machines are used. A network of shuttle cars, conveyor belts, and transfer bins carries the ore to measuring pockets at the bottom of the shaft.

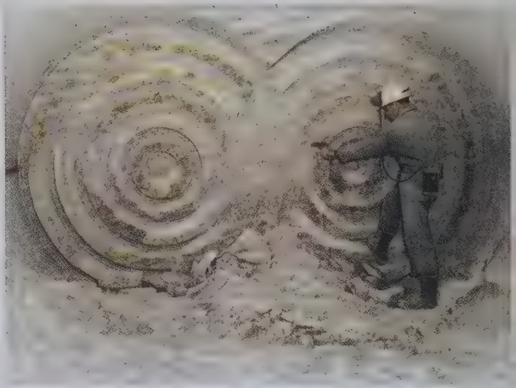
In the mill, the ore is crushed to ⅛-inch particles to free the potash and salt. The particles are then sent to a scrubber where brine is added to make a slurry, after which they are mixed with an oily reagent in a conditioner. The reagent coats the potash but not the salt. Air injected into flotation cells

◀ TGS potash mine near Moab, Utah, began operations December 10. Modern structures of the aboveground facilities were designed to harmonize with the natural beauty of the red canyonlands along the picturesque Colorado River.



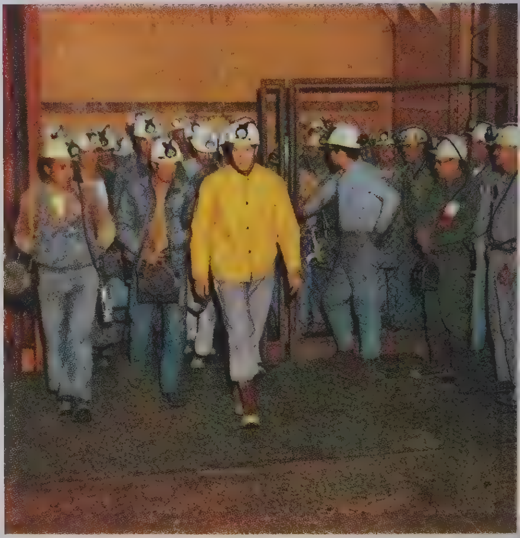
Left This rotary miner is one of two types of continuous mining machines being used at the TGS Cane Creek potash mine.

Right Whirling blades of the continuous miner cut huge concentric rings into the face of the sylvinite ore body.



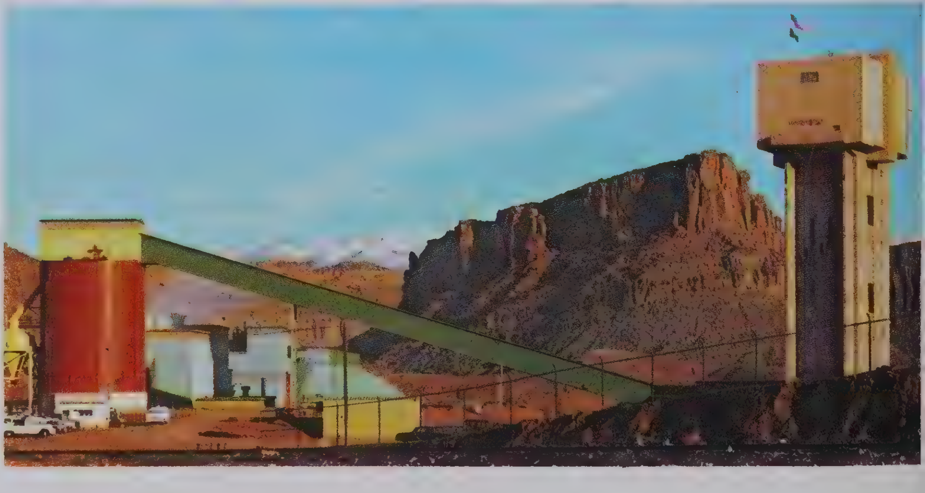
Left Loading of potash ore in the mine 3,000 feet deep is the beginning of a highly automated production system. Underground installations include a complex of conveyor belts, shuttle cars, transfer and loading bins.

Above Coarse ore moves from the storage bin into the mill by another conveyor. Lower picture shows flotation cells which are used to separate the potash from the salt.



Right Miners changing shifts at the top of the 2,789-foot-deep shaft. The service hoist has a capacity for 80 men, travels 800' per minute. Production hoist, in a separate shaft compartment, has a capacity of more than 10,000 tons of ore per day.

Below From the base of the 18-story headframe, ore is conveyed to the brightly colored above ground storage bin which has a 3,000-ton capacity.



forms bubbles which pick up the reagent-coated potash and float it to the surface. The waste salt sinks and is carried away. The potash is skimmed off, centrifuged to remove the brine, and dried.

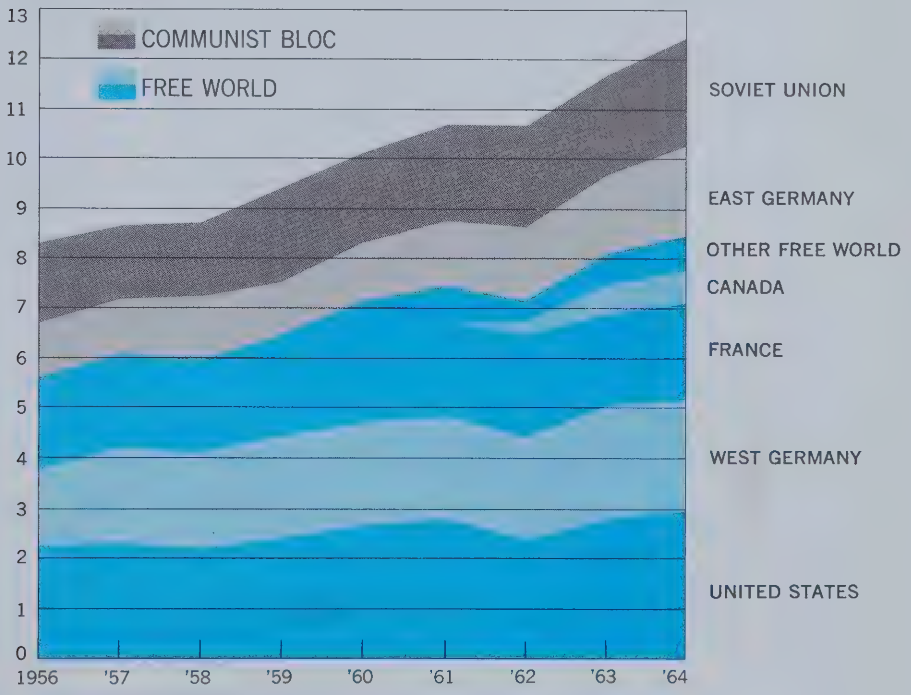
In the final processing, the dried potash is screened into three grades—standard, coarse, and granular—which are stored separately in the two storage buildings, each of which has a capacity of 125,000 tons.

Throughout the operation a well-equipped laboratory maintains quality control of the ore and product.

The mine is served by a new 16-mile highway and 36-mile railroad built to connect with the main line of the Denver and Rio Grande Western at Brendel, Utah.

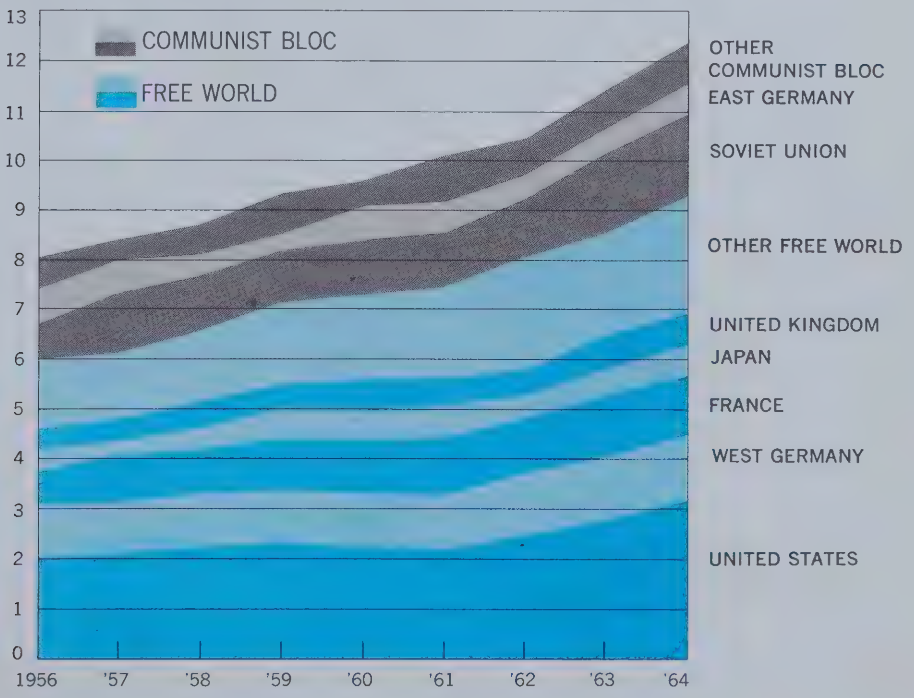
WORLD POTASH TRENDS • PRODUCTION

(millions of short tons K_2O equivalent)



WORLD POTASH TRENDS • CONSUMPTION

(millions of short tons K_2O equivalent)



PHOSPHATE

Phosphate Mine in North Carolina progressing on schedule

Dry open pit mine will produce 3 million tons of product a year

Reserves ample for decades to come

◀ Rapid progress was made during 1964 in preparation for a dry open pit phosphate mine at Lee Creek, along the Pamlico River, in North Carolina. This area is in the heart of one of the world's largest known phosphate reserves.

Plans to proceed with Texas Gulf Sulphur's second major diversification program—the development of a large phosphate mine at Lee Creek, North Carolina—were announced in April, 1964. Production will begin in early 1966 at the rate of three million tons of product per year. Work has progressed rapidly and is on schedule.

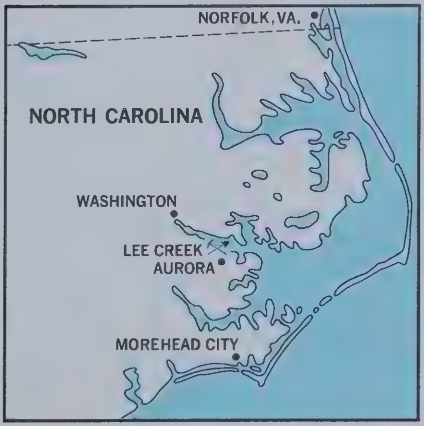
In Beaufort Country along the Pamlico River the company has more than 30,000 acres under ownership or option in the heart of one of the largest known reserves in the United States—one ample for many decades of mining.

During test mining, over 90,000 tons of phosphate ore, a rich black sand, were produced. Beneficiation of this ore to yield a saleable phosphate rock product was carried out in a large pilot mill, and tested both at the mine site and in commercial plants of prospective customers. Phosphoric acid was also produced in an acid pilot plant, and laboratory tests and experimental runs in several fertilizer plants demonstrated the rock to be of excellent grade for the production of phosphoric acid and high analysis or concentrated phosphate fertilizers.

The Lee Creek mine will be one of the largest and most modern in the industry. The initial investment in mining, processing, storage, transportation facilities and land will be about 45 million dollars.

The site is advantageously located to serve important United States and export markets by both land and water transportation. A 35-mile railroad line will be built joining existing trackage near Washington, N.C. Shuttle barges can make delivery to a deep-water port at Morehead City, and the North Carolina State Ports Authority is planning to construct additional terminal facilities there for handling and shipping phosphate to United States and overseas customers.

Phosphate rock production will be integrated with other Texas Gulf operations. Elemental sulphur, pyrites and other sulphide ores can be roasted to produce sulphuric acid for use in acidulating phosphate rock. Also, economies in transportation can be achieved by shipping liquid sulphur to the east coast and phosphoric acid to the Gulf coast on the back haul. The interplay of the economics of production, marketing, shipping, and distribution is receiving careful study to give the best program for effective customer service and profitable operations.



Forecasts are that world demand for phosphate will grow at the same rate as for sulphur and potash.

Both U. S. and world production and consumption have been increasing rapidly to help satisfy the demands of a growing population for more and better foods. Marketable phosphate rock production of United States mines reached a record 21.2 million tons in the twelve months ending June 30, 1964, an increase of 12 per cent over the previous year. Domestic producers sold or used 20.9 million long tons. Texas Gulf's initially scheduled North Carolina production of three million tons would amount to about 15 per cent of total United States production for 1964.

The strength of both domestic and export demand was reflected in price increases for phosphate rock and fertilizers in 1964.

Pilot plant work has shown that the rock reacts rapidly in making wet-process phosphoric acid and that grinding is not required. The resulting acid is well suited for conversion to superphosphoric acid. The rock makes an excellent normal superphosphate and is also suitable for direct application to the soil.

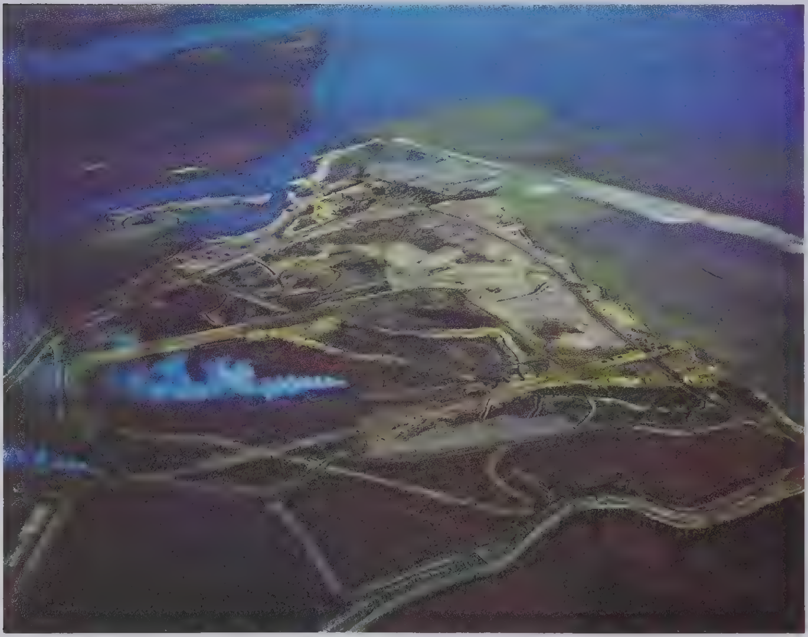
Triple superphosphate is produced by reacting North Carolina wet-process phosphoric acid with North Carolina phosphate rock and is extremely well suited for granulation because of its low iron and aluminum oxide content.

The North Carolina development is a major operation. It involves considerable rearrangement of the landscape, digging new channels to divert existing streams and filling new areas of land for an air strip and plant buildings.

In the Fall of 1964, a three-story-high, 27-inch suction dredge moved in to prepare the way for dry open pit mining. It began stripping overburden to a depth of 50 feet from approximately 100 acres, which will be the

Right Three-story high suction dredge began stripping overburden from the site where dry open pit mining of phosphate will begin.

Below Aerial photo shows vast scope of Lee Creek Mine development, including an airstrip created by land fill from dredging, a diversion canal, and land clearing for processing and transportation facilities.



Right Re-routing river waters through man-made channels is part of the site preparation task.

Far Right A front loader moves ore into the pilot plant. More than 90,000 tons of phosphate rock has already been mined, and phosphoric acid has been produced.

Right Planting seedlings is an important part of the long-range planning for land reclamation at Lee Creek.

Far Right Chemical laboratory at the pilot processing plant has conducted extensive studies of the characteristics of North Carolina phosphate rock.

area of the first year's mining operations. The overburden is being used to build additional dikes and as land fill for the plant site.

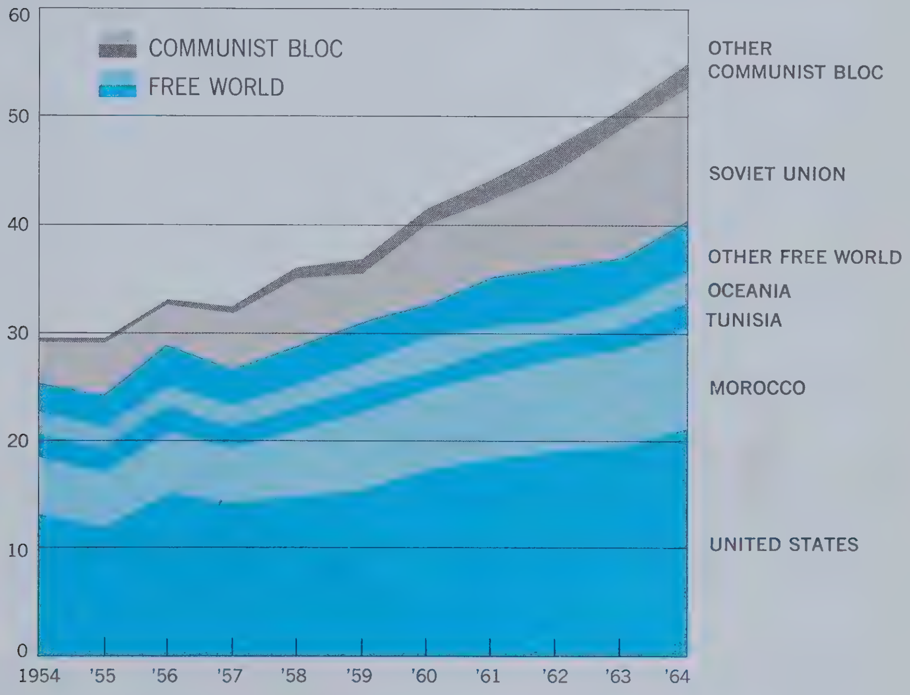
When dredging operations are completed early this spring the pit will be dried and a seven cubic yard dragline will move into the pit to continue stripping overburden down to the ore. By May, a 19 cubic yard dragline, the first of two large machines being manufactured by Bucyrus-Erie, will be ready to operate in the pit.

The second dragline—a 4,348-ton behemoth with a capacity of 72 cubic yards, the largest ever constructed for phosphate mining—is scheduled to be in operation by January, 1966.

Meanwhile, work is proceeding on engineering design and construction of the mill and related facilities under contracts signed with Brown and Root of Houston, Texas, and Rea Construction Co., of Charlotte, North Carolina.

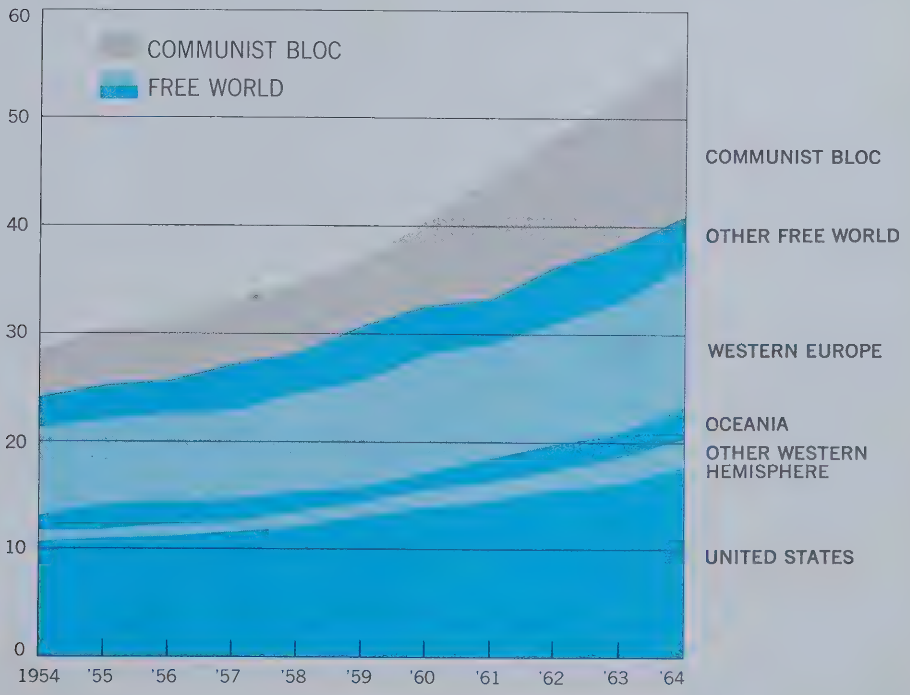
WORLD PHOSPHATE ROCK TRENDS • PRODUCTION

(millions of long tons)



WORLD PHOSPHATE ROCK TRENDS • CONSUMPTION

(millions of long tons)



METALS

Metals discovery follows long exploration in Canada

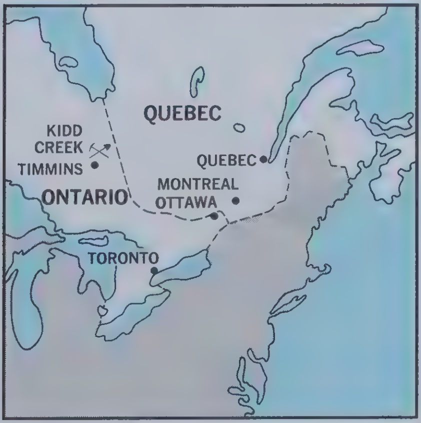
Texas Gulf Sulphur's third major diversification program is the development of a zinc-copper-silver-sulphide ore body discovered early in 1964 in Kidd Township, 15 miles north of Timmins, Ontario, Canada. It will be known as the Kidd Creek mine.

Site preparation and engineering studies progressed rapidly during the year

Work proceeded rapidly during the year on the many fronts necessary to begin production at the earliest possible date. Such work included further drilling, metallurgical testing, engineering studies, construction of an access road and survey for a railroad to the site.

Plans are now well advanced for the open pit mine, ore concentrator and related facilities to begin production in 1966. The concentrator is being designed so that its initial production capacity of 2 million tons of ore per year can be readily expanded to 3 million tons, or about 9,000 tons a day. This first phase will require a multimillion dollar capital investment and will produce metal concentrates to be refined by custom smelters.

Thirteen-mile access road completed in record time



In June, a preliminary reserve estimate of 55 million tons of ore was announced—enough to permit mining for many years. Grade of ore determined at that time from 17 drill holes was 7.08 per cent zinc, 1.33 per cent copper, and 4.85 ounces of silver per ton. Subsequent development drilling during the summer and fall has added to the tonnage and more than confirmed the ore value. Over 100,000 feet of drilling has been completed.

The ore body includes substantial sulphur as pyrite or sulphide ore, and the recovery of sulphur values fits into the TGS philosophy of diversification and expansion in related fields.

The second phase of this development will be the establishment of a smelter, a major capital investment to be considered when the mine is in production. The economics involved in determining the right location and method of smelting must be thoroughly investigated. Characteristics of the concentrates and by-product disposal will be important factors.

Rapid progress has been made in implementing the first phase. The TGS Metals Division was established in June, and a staff of Canadian experts in mine development, production, and administration has been employed. Engineering and metallurgical studies have been carried forward by our staff and outside consultants.

The generous co-operation of various departments of the Ontario Government in all aspects of the work at Timmins is illustrated by the assistance given by the Department of Highways, the Department of Mines, and the Access Roads Committee in helping to complete the road in record time. The 13-mile section was completed by Miller Paving Ltd. of Toronto in October, and another four miles of linking roadway near Timmins is now being built by the Department of Highways.

At the end of October access to the property was available for heavy equipment required for development of the mine. Work began immediately on ditching the mine property to drain the swampy, muskeg-covered surface, making it easier to remove the soil. At the same time, test trenches were dug so that potential bidders for the soil removal work could evaluate the handling characteristics of the clay overburden, which ranges from five to more than 50 feet in depth.

In November, Mannix Co. Ltd., a Canadian Calgary-based engineering company, began stripping an estimated 6 million cubic yards of overburden from the ore body. Stripping operations will be completed in time to start production in the latter part of 1966. It is expected that the open pit mining operation will provide ore for many years. Conversion to an underground mining program will overlap pit mining.

On December 3, 1964, the Ontario Government announced the approval of plans for construction of the 16-mile spur line of the Ontario Northland Railway from a point several miles east of Timmins to the mine site.

During 1964, two law suits were filed in Ontario questioning Texas Gulf's right to retain ownership of the ore body. The alleged basis for these actions is that the property is subject

◀ Texas Gulf's Canadian ore body discovery is in the flat and featureless muskeg wilderness 15 miles north of Timmins, Ontario. Thirteen miles of access road were completed in record time before the early autumn snows began to fall.

Top Typical scene at the Kidd Creek mine site development. Before completion of the 13-mile access road, most supplies and equipment had to be flown in by helicopter.

Left Late in the year, heavy equipment was able to move in and begin stripping overburden soil in preparation for the open pit mine.

Below Tent village was headquarters during most of 1964 for drilling crews, geologists, and others engaged in mine site development.

to a contract under which Texas Gulf agreed not to acquire mining claims in certain designated areas in Canada. One of our answers to these suits is that the discovery is not in any of these areas and the company is making the necessary preparations to prove this. The cases should come to trial during 1965. The contract was executed by Texas Gulf and Leitch Gold Mines Limited May 22, 1963. Leitch and an associated company ask the court to have Texas Gulf transfer the discovery to them and also pay damages of $50 million, or allow Texas Gulf to keep the ore body and pay them $450 million.

In the second case, the plaintiff is the Royal Trust Company, trustee for the Estate of Murray Hendrie, which, after several years' negotiations, on June 6, 1963, granted an option to Texas Gulf for a tract of land on which part of the ore body was later discovered. On the supposition that this discovery is located in one of the areas in which Texas Gulf promised Leitch it would not acquire mining claims, Royal Trust contends that Texas Gulf's purchase of this land was beyond its authority and that title should revert to the Hendrie Estate.

The claims made by the plaintiffs in both suits can be defeated by showing that the ore body does not lie in an area subject to the 1963 contract. Texas Gulf is confident that this can be conclusively established. Accordingly, Texas Gulf is bringing the mine into production as soon as possible. An engineering design contract for the concentrator and related facilities will be awarded early in 1965.

Preparations underway for open pit mine

Artist's sketch indicates how open pit mine will appear from the air. Large trucks are dwarfed by 40-to-50-foot high walls of spiralling "benches."

EXPLORATION

Above "Whirlybirds" equipped with specially designed electromagnetic detection equipment greatly extend the area of operations of the TGS exploration department.

Right A typical operation in the follow-up phase of a geophysical survey on the ground is this drill rig being set up in the Canadian wilderness.

Exploration continues in new fields

Many new projects being undertaken

Texas Gulf Sulphur continues a strong program of exploration which is the life blood of a company in the natural resources field. In addition to the continuing search for new sources of sulphur, potash, phosphate and metals, the exploration program includes trona, oil and gas, and related minerals.

Several sulphur exploration wells were drilled with good results at Gulf, in Matagorda County, Texas—the site of the company's original operations, and a new Frasch mining facility will be constructed there in 1965.

New headquarters offices for the exploration department were established in Toronto, Canada, and our capable staff has been strengthened. New members were added to support the expanded exploration activities and to replace those who have moved into responsible positions in the operating divisions.

Exploratory drilling for trona in Wyoming

Test drilling for trona was continued in the Green River area of Wyoming where the company has rights on state and federal lands. The presence of substantial deposits had previously been indicated by exploratory drilling. Deposits at a depth of 1300 to 1500 feet have been found over an extensive area. Both trona and potash involve almost identical skills in exploration, mining, processing and marketing. Accordingly, trona is a natural complement to existing operations.

Trona is sodium carbonate-bicarbonate which is readily converted into soda ash, an important ingredient in many manufacturing processes. There is a growing demand for soda ash in the production of glass, chemicals, pulp, paper, soap, detergent, and aluminum. Most soda ash currently used is produced by a synthetic process. In recent years production from natural trona has grown much more rapidly than the synthetic product. In 1964, production from natural trona increased 20 per cent compared with only 6.2 per cent in the synthetic material.

TGS increased its holdings substantially in oil and gas properties in western Canada in 1964. Exploration continued for sour natural gas and other hydrocarbons in western Canada and in the Gulf Coast area of the United States. Exploration for metal sulphide deposits and other minerals has been intensified in the Canadian Shield and other regions of North America.

Another aspect of exploration is the investigation of related opportunities for expansion and diversification. Currently underway, for example, are feasibility studies for the upgrading and marketing of by-products from present operations. These by-products include shell, aggregate, lime, sand and gravel in North Carolina and salt-derived chemicals in Texas.

As TGS looks ahead, the experience gained in exploring for natural resources in many parts of the world holds great promise for the future. In addition to new sources of sulphur, potash, phosphate and metals, potential future developments include metal sulphide properties in New Brunswick and on Baffin Island in the Canadian Arctic, various other projects in Canada, and sulphur in Mexico and elsewhere.

Above A TGS natural gas exploratory well in Western Canada.

Statement of Income and Retained Earnings

	Year ended December 31 1964	Year ended December 31 1963
GROSS REVENUE FROM SALES	$ 70,369,732	$ 62,248,521
ROYALTIES, INTEREST AND OTHER INCOME	2,906,310	1,327,556
	73,276,042	63,576,077
COSTS AND EXPENSES:		
Operating, delivery and other related costs and expenses, including exploration	52,172,521	47,625,405*
Selling, general and administrative	6,043,262	5,047,020*
Interest	2,304,070	—
Federal income taxes—estimated	1,200,000	1,550,000
	61,719,853	54,222,425
NET INCOME FOR THE YEAR	11,556,189	9,353,652
RETAINED EARNINGS JANUARY 1	131,184,548	125,837,136
	142,740,737	135,190,788
Deduct: Cash dividends	4,005,210	4,006,240
	138,735,527	131,184,548
Add: Premium on transactions in treasury stock	28,984	—
RETAINED EARNINGS DECEMBER 31	$138,764,511	$131,184,548
EARNINGS PER SHARE	$1.15	$0.93
DIVIDENDS PER SHARE	$0.40	$0.40
NUMBER OF SHARES OUTSTANDING	10,015,899	10,011,199

See accompanying notes to financial statements.

*Reclassified to conform to 1964 presentation

Statement of Financial Condition

	December 31 1964	December 31 1963
CURRENT ASSETS:		
Cash	$ 5,345,022	$ 5,468,599
U. S. Government and other marketable securities	36,519,625	13,894,487
Receivables	18,160,657	15,756,929
Recoverable Federal income taxes	10,844,728	—
Inventories, at lower of cost or market	26,069,417	29,651,534
Total Current Assets	96,939,449	64,771,549
LESS—CURRENT LIABILITIES:		
Payables	9,033,415	4,151,838
Taxes payable	795,120	13,645,204
Total Current Liabilities	9,828,535	17,797,042
WORKING CAPITAL	87,110,914	46,974,507
MARKETABLE SECURITIES equivalent to net amount of the deferred income from the forward sale of sulphur	—	22,200,000
INVESTMENTS AND ADVANCES net of reserve for exploration costs (1964—$1,062,355; 1963—$1,477,935)	33,071,856	23,363,509
PROPERTY, PLANT AND EQUIPMENT at cost, net of accumulated amortization and depreciation (1964—$69,722,569; 1963—$65,897,770)	86,384,018	72,731,910
MISCELLANEOUS ASSETS	4,043,587	4,216,385
TOTAL ASSETS LESS CURRENT LIABILITIES	210,610,375	169,486,311
DEDUCT:		
Notes payable	55,000,000	—
Deferred income arising from the forward sale of sulphur net of applicable Federal income taxes	—	22,200,000
Reserve for deferred Federal income taxes	18,081,581	17,451,246
Reserve for uninsured risks	147,233	119,633
STOCKHOLDERS' EQUITY	$137,381,561	$129,715,432
STOCKHOLDERS' EQUITY REPRESENTED BY:		
Capital stock: authorized 15,000,000 shares without par value; issued 11,520,000 shares	$ 26,175,000	$ 26,175,000
Retained earnings	138,764,511	131,184,548
	164,939,511	157,359,548
Deduct: Cost of 1,504,101 shares (1963—1,508,801) of treasury stock	27,557,950	27,644,116
STOCKHOLDERS' EQUITY	$137,381,561	$129,715,432

See accompanying notes to financial statements.

Funds Statement

	1964	1963
FUNDS WERE PROVIDED FROM:		
Net income	$11,556,000	$ 9,353,000
Charges to income not involving working capital:		
Depreciation and amortization	4,059,000	3,008,000
Deferred taxes	1,200,000	3,300,000
Other items—net	573,000	1,901,000
	17,388,000	17,562,000
Tax (charges) credits deferred to future income	(570,000)	1,801,000
Proceeds from sale of notes	55,000,000	—
	71,818,000	19,363,000
FUNDS WERE REQUIRED FOR:		
Dividends	4,005,000	4,006,000
Net additions to property, plant and equipment	18,259,000	14,234,000
Additions to investments and advances over amounts liquidated	9,502,000	4,392,000
Other accounts—net	(84,000)	1,186,000
	31,682,000	23,818,000
RESULTING IN AN INCREASE (DECREASE) IN WORKING CAPITAL OF	$40,136,000	($4,455,000)

Notes to Financial Statements

1. RECOVERABLE FEDERAL INCOME TAXES: This $10,844,728 represents the amount of Federal income taxes the Company expects to recover from prior years' payments. It is the result of the exclusion from taxable income in 1964 of sales dedicated to the 1963 sulphur production payment, the proceeds of which were previously included in taxable income. Other factors involved are development costs and advance net profit payments.

2. INVESTMENTS AND ADVANCES: Investments in and advances to subsidiaries, which are substantially wholly-owned, are carried at cost or less and amount to $10,544,232 at December 31, 1964, after application of the reserve for exploration costs. The net assets of subsidiaries approximate the amounts at which carried and their revenues and expenses are not presently material. Included is the cost of a group of Canadian companies acquired during 1964. Also included is $12,498,970 representing (1) advances to a railroad for building the branch line to the Utah potash property, recoverable from revenues derived from the use of the line, and (2) advance payments of net profits to be derived from the sale of minerals extracted from this property.

3. DEFERRED FEDERAL INCOME TAXES: The Company has deferred to future periods the income tax benefit resulting from the deduction for tax purposes of certain expenditures included among the assets on the statement of financial condition. The deferred tax reserve pertains principally to production costs included in inventory, depreciable plant and equipment, development costs incurred on several properties and to advance net profit payments related to the potash property. The investment tax credit is being amortized over the estimated lives of the related assets.

4. NOTES PAYABLE: Under Purchase Agreements dated April 15, 1964 and September 21, 1964, the Company sold its 4.70% notes due in 1989 in the aggregate principal amount of $55,000,000. The Company is required to make annual prepayments of $2,750,000 commencing in 1970. In addition, the Company at its option may prepay the notes in whole or in part at any time subject to premiums on certain optional prepayments.

Under the provisions of the purchase agreements, the payment of cash dividends or acquisition for value of any shares of Company stock is limited to the sum of (1) net income subsequent to December 31, 1963, plus (2) $10,000,000 plus (3) the aggregate net proceeds received by the Company from the issue or sale of shares of its stock, or of indebtedness converted into shares of its stock, subsequent to December 31, 1963. $17,666,129 of retained earnings at December 31, 1964 was in excess of such limitation. Funded indebtedness including the guarantee of obligations of others may not exceed stockholders' equity including the reserve for deferred Federal income taxes.

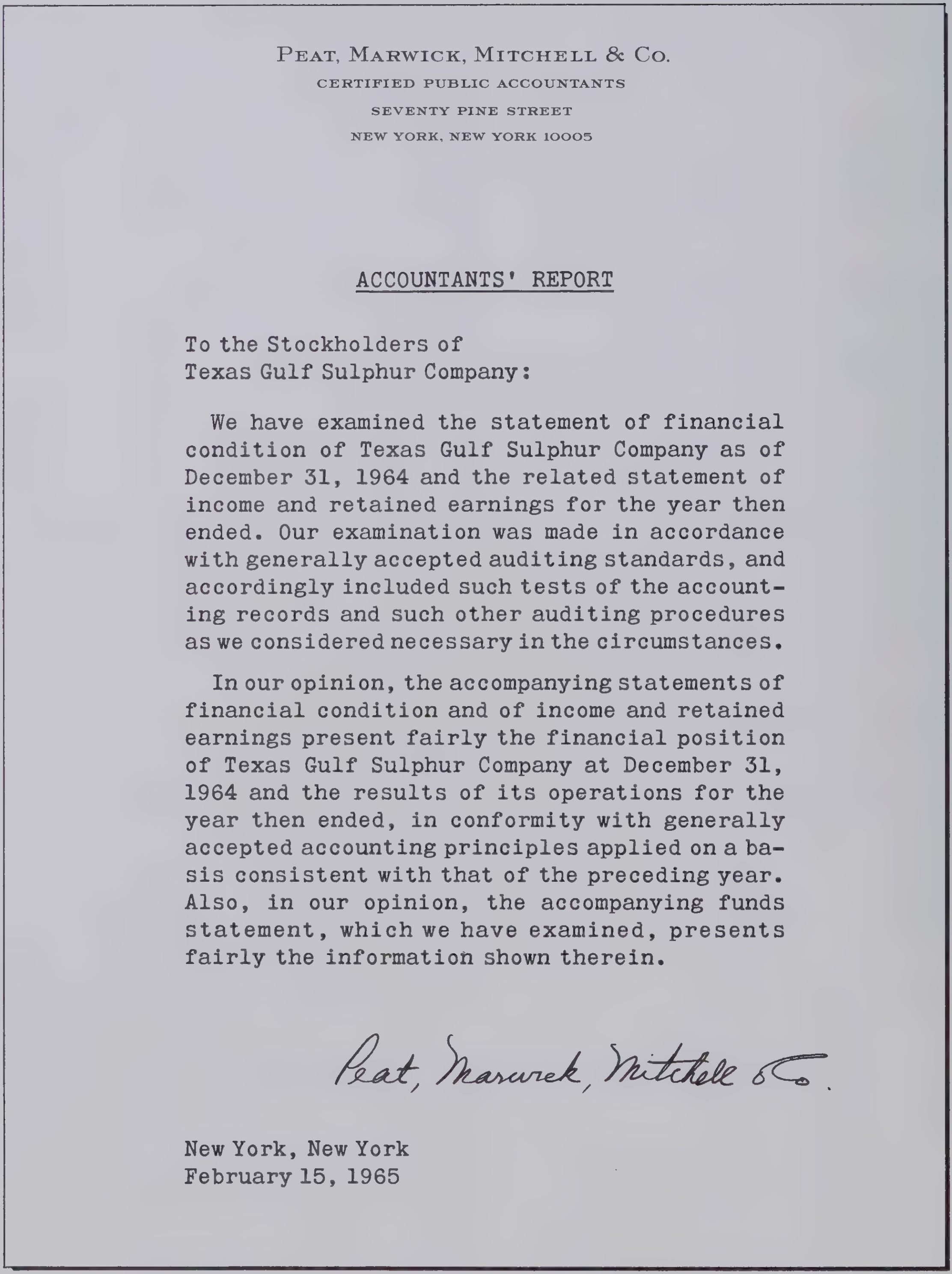
5. STOCK OPTION INCENTIVE PLAN: Under a stock option plan approved by the stockholders in April, 1961, options may be granted to officers and employees of the Company and subsidiaries to purchase up to 250,000 shares of the Company's stock. Options become exercisable, as to 40 percent, eighteen months after date of grant, as to 70 percent, three years after date of grant and as to 100 percent, four years after date of grant. Options granted prior to 1964 expire ten years after date of grant; options granted in 1964 expire five years after date of grant.

On January 1, 1964, restricted options covering 57,000 shares at $24.50 per share, granted in 1961 to seventeen officers and employees, remained unexercised. Qualified options covering an additional 89,950 shares were granted to twenty-six officers and employees in 1964 at the then market value of $23.81 per share. During 1964, restricted options covering 4,700 shares were exercised and options covering 1,800 shares were terminated by reason of death. At December 31, 1964 options covering 140,450 shares are outstanding of which options covering 34,300 shares are exercisable.

6. PROPOSED CAPITAL EXPENDITURES: During the next several years the Company intends to make substantial capital expenditures for development and construction of facilities at its various properties. These plans are described in more detail elsewhere in this report.

7. LITIGATION: The Company is a party to numerous lawsuits. In the opinion of counsel for the Company, the Company either will be successful in the defense of such cases or will incur no material monetary liability beyond applicable insurance coverage.

Accountants' Report



Peat, Marwick, Mitchell & Co.
CERTIFIED PUBLIC ACCOUNTANTS
SEVENTY PINE STREET
NEW YORK, NEW YORK 10005

ACCOUNTANTS' REPORT

To the Stockholders of
Texas Gulf Sulphur Company:

We have examined the statement of financial condition of Texas Gulf Sulphur Company as of December 31, 1964 and the related statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of financial condition and of income and retained earnings present fairly the financial position of Texas Gulf Sulphur Company at December 31, 1964 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying funds statement, which we have examined, presents fairly the information shown therein.

Peat, Marwick, Mitchell & Co.

New York, New York
February 15, 1965

Five Year Financial Review

	1964	1963	1962	1961	1960
INCOME (in thousands of dollars)					
Gross Revenue from Sales	$ 70,370	$ 62,249	$ 58,971	$ 58,949	$ 58,935
Total Revenue	73,276	63,576	60,852	60,946	61,198
Operating, Delivery and Other Related Costs and Expenses, including Exploration*	52,173	47,625	40,569	39,607	39,888
Selling, General and Administrative Expenses*	6,043	5,047	4,396	4,006	3,876
Interest Expense	2,304	—	—	—	—
Federal Income Taxes—Estimated	1,200	1,550	3,750	4,750	4,750
Net Income	11,556	9,354	12,137	12,583	12,684**
FINANCIAL POSITION (in thousands of dollars)					
Current Assets	96,939	64,772	55,826	75,241	82,184
Current Liabilities	9,828	17,797	4,397	6,375	3,543
Working Capital	87,111	46,975	51,429	68,866	78,641
Property, Plant and Equipment—Net	86,384	72,732	62,111	41,857	35,019
Notes Payable	55,000	—	—	—	—
Total Assets	220,439	187,283	141,601	133,875	125,403
Stockholders' Equity	137,382	129,715	124,512	117,886	115,323
OTHER DATA					
Earnings per Share	1.15	.93	1.21	1.26	1.27**
Dividends per Share	.40	.40	.55	1.00	1.00
Number of Shares Outstanding December 31	10,015,899	10,011,199	10,020,000	10,020,000	10,020,000

*Reclassified to conform to 1964 presentation.

**Excludes extraordinary income of $1,034,000 or 10¢ per share.

Officers and Staff

CLAUDE O. STEPHENS
President

CHARLES F. FOGARTY
Executive Vice President

HUBBARD S. CAVEN
Vice President, Austin, Texas

DAVID M. CRAWFORD
Secretary and Manager of
Public and Government Relations

HAROLD B. KLINE
Vice President and General Counsel

GUY T. McBRIDE, JR.
Vice President, Phosphate Division

GORDON N. McKEE, JR.
Treasurer

WALTER F. MEYER
Controller

RICHARD D. MOLLISON
Vice President,
Metals Division

A. NELSON MYERS
Vice President, Marketing

HUGH W. STRICKLAND
Senior Vice President, Houston, Texas

THOMAS P. TOWNSEND
Vice President

Administrative

DONALD L. CENIS	Administrative Assistant
DAVID M. CRAWFORD	Secretary and Manager of Public and Government Relations
GINO P. GIUSTI	Corporate Personnel Manager
JOHN A. MURRAY	Office Manager

Exploration

WALTER HOLYK	Manager of Exploration, Toronto, Canada
ELGIN D. BELL	Manager, Calgary, Canada
H. V. W. DONOHOO	Chief Geophysicist and Manager, Houston
JAMES H. OGG	Supervisor of Special Projects, Moab

Finance

EDWARD K. BRASS	Chairman of Plans and Finance Committee

Treasurer

GORDON N. McKEE, JR.	Treasurer
ROBERT P. HEDLEY	Financial Analyst
WILLIAM F. SEAMON	Credit Manager

Controller

WALTER F. MEYER	Controller
JAMES A. CAMPBELL	Assistant Controller—Taxes
EDSON L. FOSTER, JR.	Assistant Controller—Budgets and Systems
JOHN T. DUFFY	Internal Auditor
JAMES J. FINN	General Accounts Manager
BERNARD J. GOODMAN	Manager, Payroll and Fringe Benefits

Legal

HAROLD B. KLINE	Vice President and General Counsel
JOSEPH C. BROWN	Counsel, Houston
JOHN D. HARTIGAN	Counsel and Assistant Secretary
GEORGE W. HUGO	Counsel, Houston
EARL L. HUNTINGTON	Counsel and Assistant Secretary
RICHARD KIRK	Counsel and Assistant Secretary

Research

JAMES R. WEST	Manager
ROBERT J. BOYLE	Assistant Manager
ARTHUR GLOSTER	Assistant Manager
JACK H. McLELLAN	Assistant Manager

Unless otherwise indicated location is New York

Marketing

A. NELSON MYERS	Vice President

Sulphur and Metal Sales

JOHN W. HALL, JR.	Manager
FRANK J. CLAYDON, JR.	Assistant Sales Manager—Sulphur
H. NEWTON CUNNINGHAM, JR.	Assistant Sales Manager—Sulphur, Houston
WALTER B. GILLETTE	Assistant Sales Manager—Sulphur

Potash and Phosphate Sales

BRYAN W. GUESS	Manager
ROBERT L. BORG	Midwest Sales Manager, Chicago
SAMUEL E. HARDWICK, JR.	Northeast Sales Manager, Richmond
CHARLES E. MARTIN	Southeast Sales Manager, Atlanta
CHARLES T. ODUM, JR.	Southwest Sales Manager, Houston

Traffic

STEPHEN F. GILMORE	General Traffic Manager, Houston
R. C. BALLARD TRIGG	Traffic Manager, Houston
WILLIAM A. CARSON, JR.	Assistant Traffic Manager—Potash, Houston
WILLIAM HANSEN, JR.	Assistant Traffic Manager
MAURICE S. WEBER	Assistant Traffic Manager—Sulphur, Houston
WILLIAM H. JOHNSTON	Manager of Technical Services, Houston

Advertising

JERRY L. CRAMER	Manager

Market Research

SERGE L. LEVITSKY	Manager
JOHN R. CAMP	Senior Market Analyst

Operations

Frasch Sulphur Division

Texas

HUGH W. STRICKLAND	Senior Vice President, Houston
IRA E. McKEEVER, JR.	General Manager, Newgulf
E. ORYS MASON	Assistant General Manager, Newgulf
RALPH L. CARTER, JR.	Manager of Purchasing and Warehouse Department, Newgulf
CHARLES F. DREES	Manager of Electrical Department, Newgulf
EARL W. HANNA	Office Manager, Newgulf
J. FRANK LEWIS	Manager of Land Department, Houston
GEORGE W. LOWTHER	Manager of Power Plants Department, Newgulf
ROBERT L. McDANIEL	Manager of Traffic Department, Beaumont
WALTER B. PRESTON	Manager of Mechanical Maintenance Department, Newgulf
MARSHALL C. REED	Manager of Quality Control Department, Newgulf
RAYMOND J. STAFFA	Manager of Engineering Department, Newgulf
WALTER D. STINE	Manager of Oil Department, Houston
RAY WARD	Resident Manager, Beaumont
ARNOLD F. ZEMANEK	Manager of Field Department, Newgulf

Gas Division

United States and Canada

JAMES W. ESTEP	General Manager, Calgary, Alberta
FREDERICK J. RONICKER	Assistant General Manager, Calgary, Alberta
DAVID G. BASKIN	Transportation Agent, Whitecourt, Alberta
ELMER M. BERLIE	Plant Manager, Okotoks, Alberta
A. L. MAYFIELD	Plant Manager, Worland, Wyoming
T. STAFFORD MOSHER	Chief Accountant, Calgary, Alberta
EDWARD W. PLUM	Special Projects Engineer, Calgary, Alberta

Metals Division

Timmins, Ontario, Canada

RICHARD D. MOLLISON	Vice President
F. RAY JONES	Manager
PERCY R. CLARKE	Mill Superintendent
R. HUGH CLAYTON	Mining Engineer, Special Projects
GERARD F. O'HALLORAN	Maintenance Superintendent
JAMES B. SHANNON	Mine Superintendent
DONALD J. STEWART	Purchasing Agent
ROBERT J. C. TAIT	Chief Metallurgist
DONALD TAYLOR	Chief Accountant

Phosphate Division

Aurora, North Carolina

GUY T. McBRIDE, JR.	Vice President
LEO J. MILLER	Manager
ROY C. BROWN	Supervisor of Land
D. C. EDMISTON, JR.	Mill Superintendent
HARVEY FRANZ, JR.	Chief Accountant
HAROLD A. MARSTON	Maintenance Superintendent
E. M. MASON	Purchasing Agent
RODNEY K. PERTILE	Mine Superintendent

Potash Division

Moab, Utah

FRANK E. TIPPIE	General Manager
J. FRANK HENDERSON	General Superintendent
ROBERT J. FERRANTI	Plant Superintendent
ANTHONY J. FRATTO	Maintenance Superintendent
KENNETH B. HUTCHINSON	Chief Engineer
KENNETH J. KUTZ	Technical Assistant to the General Manager
FRANK J. PETERNELL	Mine Superintendent
JACKSON G. PINKERTON	Office Manager
RICHARD C. REYNOLDS, JR.	Supervisor of Personnel and Industrial Relations
EVERETT L. SCHUMAKER	Purchasing Agent

Affiliate
Sulphur Export Corporation

PAUL W. DOUGLAS	Chairman of Board and Joint Managing Director
ERNEST A. GRAUPNER	President and Joint Managing Director
WALTER E. BUCHENHORNER	Vice President
RICHARD T. DIECKMAN	Assistant Secretary-Treasurer
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New York, New York 10015

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New York, New York 10015

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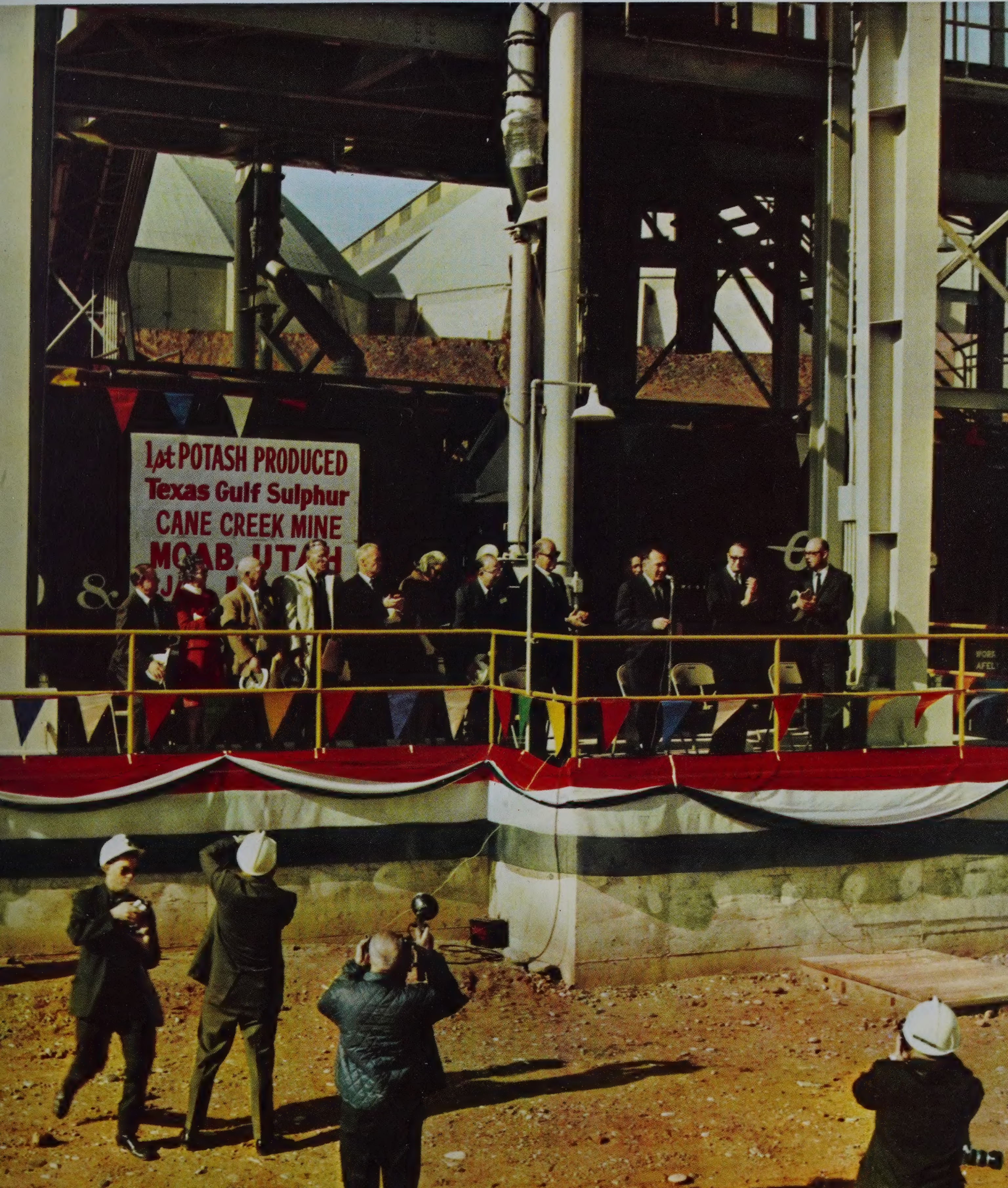
The Year of Potash

Marking the beginning of Texas Gulf's first major diversification program, President C. O. Stephens tripped a switch to load the first car of potash. Governor Calvin L. Rampton spoke at dedication ceremonies attended by state and local officials.



TGS